

STATE OF ILLINOIS COMMERCE COMMISSION

In the Application of Atmos Energy                    )  
Corporation for Approval Pursuant to                )  
Section 7-101 of the Public Utility Act             )     Docket No.  
of a Services Agreement between Atmos            )  
Energy Corporation and Atmos Energy             )  
Services, LLC    )

**DIRECT TESTIMONY OF PATRICIA D. CHILDERS**

**Q.     Please state your name.**

A.     Patricia D. Childers.

**Q.     What is your business address?**

A.     My business address is 810 Crescent Centre Drive, Suite 600, Cool Springs, TN 37067

**Q.     What is your current position with Petitioner, Atmos Energy Corporation?**

A.     I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation's Mid-States Division.

**Q.     Please briefly describe your professional and educational background and current responsibilities with the Company.**

A.     In 1972 I received a Business Administration degree from Middle Tennessee State University. From 1972 to 1979 I was employed by the Tennessee Department of Economic and Community Development as a marketing analyst. I have held the titles of Gas Supply Analyst, Rate Analyst and Manager of Regulatory Affairs with the company which involved me in the regulatory activities of the Company in eight jurisdictions. In 2001 I assumed my current position in which I am responsible for all of the regulatory activities in the six states which comprise Atmos' Mid-States Division.

**Q.     Do you have in front of you a copy of Atmos' application in this docket?**

A.     Yes.

**Q. Are all the statements and amounts contained therein including the attachment 1 true and correct to the best of your knowledge, information and belief.**

A. Yes.

**Q. Is Atmos an Illinois corporation?**

A. No. Atmos is incorporated in the State of Texas and the Commonwealth of Virginia.

**Q. Does Atmos own and operate natural gas public utility properties in Illinois and other states?**

A. Yes. It owns and operates natural gas public utility properties in the States of Illinois, Georgia, Iowa, Kansas, Missouri, Tennessee, Virginia, Colorado, Texas, Kentucky, Mississippi and Louisiana.

**Q. Where are the Illinois service areas located?**

A. In Alma, Bluff City, Brookport, Carrier Mills, Cowden, Eldorado, Farmersville, Galatia, Girard, Harrisburg, Huey, Luka, Joppa, Kinmundy, Metropolis, Middleton, Muddy, New Holland, Raleigh, Salem, Thayer, Waggoner, Vandalia, Virden, Xenia and various farm taps in central Illinois.

**Q. Please state the purpose of your testimony in support of the Company's application.**

A. The purpose of my testimony is to describe the Services Agreement between Atmos Energy Corporation ("Atmos") and Atmos Energy Services, LLC ("AES") and explain why it is in the public interest.

**Q. Please describe the affiliate relationship among the parties to the Services Agreement.**

A. AES is wholly owned by Atmos Energy Holdings, Inc. which in turn is a wholly-owned subsidiary of Atmos Energy Corporation.

**Q. Please describe AES and the services it will provide to Atmos pursuant to the Services Agreement.**

A. AES was created to provide administrative, management and other services as described below to Atmos and other unregulated Atmos affiliates. AES possesses a wealth of experience and expertise in gas supply - planning, procurement and administrative functions that will be extremely useful to Atmos. As Atmos has grown through various mergers and acquisitions over the past several years it has consolidated services and personnel and efficiently provided wide-ranging services to its business units. The creation of a formal organization is the next logical step to ensure a consistent focus on the provision of services in the most efficient manner possible to all of Atmos' business units. Specifically, AES will provide the following services.

- A. Gas Supply Procurement, which may include hedging administration, supply and pipeline capacity planning, development of procurement plans, commodity procurement and contracting, supply portfolio management, contract information management, contract negotiation and execution, supplier relations and management of third-party agency contracts.
- B. System Load Management, which may include demand forecasting, scheduling, dispatch and balancing, weather database management, load database management, pricing database management and capacity and storage management.
- C. Regulatory Support and Compliance, which may include PGA reporting support, purchase gas cost estimates, L & U reporting, providing support to Atmos in FERC proceedings, assisting in responding to data requests involving gas supply issues as well as assisting Atmos prepare testimony on issues related to gas procurement.
- D. Gas Supply Accounting Administration, which may include gas supplier invoice reconciliation, gas supplier invoice coding and reporting and maintaining the gas supply procedures manual.

**Q. Will Atmos continue to provide any gas supply functions through its utility shared services?**

A. Yes. Atmos' 24 hour-a-day, 365 days-a-year gas control operation of city gate system load management requirement activities as well as regulatory and compliance gas supply accounting and contract administrative functions will continue to be provided by the shared services of Atmos.

**Q. What will be the cost to Atmos of receiving these services from AES?**

- A. AES will provide all services at cost without markup or profit. The charge for the services AES provides to Atmos will be the actual cost accumulated in Atmos' Illinois service territory through direct allocation of resources and other expenses related to the services provided pursuant to the Agreement.

**Q. Please explain how the cost of the services will be charged or allocated.**

- A. The methodologies utilized to assign and allocate the costs of the services AES will provide are described in detail in Exhibit 1 of the Agreement which is included as Attachment 1 to the Application. The direct costs of these services will be determined upon applicable employee's labor distribution. The full cost of providing services also includes certain indirect costs, e.g., departmental overheads, administrative and general costs and taxes. Indirect costs are associated with the services performed in proportion to the direct costs of the services or other relevant cost allocators. AES' costs will be directly assigned, distributed or allocated to Atmos in the manner described below:

- A. Specific costs from third parties will be directly assigned or charged to Atmos;
- B. Costs will be allocated to Atmos' operating divisions based upon the applicable labor distribution of the employees of Atmos Energy Holdings that perform the agreed-upon services. Other indirect costs, including those from Atmos Energy Marketing, will be charged based upon the proportion of distributed labor to total labor;
- C. Costs attributable to more than one rate division within an operating division of Atmos will be allocated using methods determined on a case-by-case basis consistent with the nature of the work performed; and
- D. Labor distribution studies will be reviewed annually and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

**Q. Does the Services Agreement expose Atmos to additional risk?**

- A. No. AES possesses the experience and expertise to perform the services and it will do so on a cost basis. Further, it will not impact Atmos' ability to provide safe and reliable services to its customers. In addition, Atmos can terminate the Services Agreement upon sixty (60) days notice and thus, it will not put Atmos in a long-term captive relationship. Finally, it is subject to the approval of this Commission.

**Q. Please summarize your testimony and state why you believe the Services Agreement is in the public interest.**

A. The Services Agreement will enhance Atmos' existing general services arrangement by providing it with additional expertise, experience and increased flexibility in the critical gas procurement function. The services will be provided at cost without a profit or markup and the arrangement should result in increased efficiencies and economies of scale. Finally, the agreement will not impact the ability of Atmos to provide safe and adequate services to its customers and will impose no additional risks or burdens to Atmos' Illinois ratepayers.

**Q. Does that complete your testimony?**

A. Yes.